

U.S. Army NAF Employee Benefits Program

Retirement Plan

Summary Plan Description

Effective 1 January 2002

www.NAFbenefits.com



The USANAF Retirement Plan



WHEN YOU JOIN THE RETIREMENT PLAN

Mandatory Enrollment Effective 1/1/2001

Effective 1 Jan 01, participation in the NAF Retirement Plan became mandatory for new hires, rehires and those who become eligible for benefits. Current employees were not required to enroll. When processing these employees, please be sure to "X" the block next to "I elect to participate" in item 15, DA Form 3473, Part 1. Employees mandatorily enrolled will not be able to opt out of the Plan until they have participated for six months. Employees who later opt out after six months, will only be able to cash out their Retirement Plan contributions when they separate employment or convert to an ineligible status.

WHO MAY PARTICIPATE

You may participate in the retirement plan if you are in an "eligible class." You are eligible if you are:

- a regular NAF employee working at least 20 hours a week

AND

- working in one of the 50 United States, the District of Columbia, or Puerto Rico.

HOWEVER:

- if you are working overseas, you must be a U.S. citizen or the spouse or child of a U.S. citizen.
- Vested employees who accept Appropriated Fund employment within 3 days of NAF

separation, who exercise their right to remain in the Army NAF Retirement Plan, in accordance with Public Law 101-508.

2. As of 1996, Public Law 104-106 replaced Public Law 101-508. This law allows the employee 1 year to obtain APF employment and elect to remain in the Army NAF Retirement system within 31 days of the APF appointment.

3. Effective 28 Dec 2001, P.L. 107-107 became effective. This law removed the vesting requirement.

(Employees of the Army-Air Force Exchange Service, "leased employees," and military personnel **may not** participate in the retirement plan.)

WHEN TO JOIN

If you are an eligible employee you may join the retirement plan at any time. Many decide to join at the time they begin work or first become eligible; others decide to join later. **Employees who decide not to join the retirement plan initially but join later MAY NOT MAKE BACK PAYMENTS TO MAKE UP FOR THE TIME THEY DID NOT CONTRIBUTE.**

HOW TO JOIN

To join the retirement plan you must fill out DA Form 3473, which is available from your civilian personnel unit. (CPU)

What Does the Retirement Plan Cost?



Your cost for basic benefits is 2% of your pay. This amount is deducted from your pay. In addition, your employer pays at least as much as you do—and more if necessary to keep the retirement plan financially sound.

VESTING

You are vested in the retirement plan when you have contributed to the plan for 5 years. Vesting means you are entitled to receive a lifetime monthly benefit.

WHEN PARTICIPATION BEGINS

Your participation begins on the day you complete and elect participation. After you complete, sign and date DA Form 3473, you will see a deduction for retirement on your earnings and leave statement. Check your earnings and leave statement (LES) for deductions to begin. If deductions have not begun within 1 month of your election date, please contact your civilian personnel unit.

ENDING PARTICIPATION

You may stop your participation in the retirement plan and stop making contributions at any time. If you do so you must wait two years before you may rejoin. **(When estimating your credited service for retirement purposes, you cannot count any period of time when you do not contribute to the retirement plan.)** If you rejoin the retirement plan and decide once again to end participation, you may not rejoin again. Each time you change your status in the retirement plan, you must complete, sign and date DA Form 3473 at your servicing civilian personnel office.

Your participation automatically stops when you terminate employment or when you become ineligible because of a change from a regular position to a flexible position.

TERMINATION OF EMPLOYMENT

Your employment may terminate in the following ways: You may quit, be fired or affected by a reduction resulting from a business based action, or you may die.

If you quit, are fired, or affected by a reduction, you have these choices:

- You may take a refund of your contributions (see the section entitled **Refunds**).
- You may leave your contributions on deposit for up to 5 years, if you have less than 5 years credited service. If you do not rejoin the retirement plan within 5 years of your termination date, your money will be refunded to you. You may, of course, rejoin the plan if you are re-hired in an eligible class within 5 years.
- If you have 5 or more years in the retirement plan, you may delay starting your monthly benefit and take a deferred monthly benefit which can start as early as age 52.

If you die while still employed:

- Your survivors get a monthly benefit or a refund of your money, depending on how much credited service you have. If you die and you were eligible for an early retirement annuity, your spouse will be paid the 100% continuation option, plus 55% of the your supplemental early retirement benefit. If you die and had not attained the age for a retirement benefit, but you were vested in the retirement plan, your spouse will receive 55% of your benefit, unreduced for age.

TYPES OF RETIREMENT BENEFITS

The following types of retirement benefits are available for you as a participant in the retirement plan. Any one of the monthly benefit annuities are more valuable than taking a refund of your contributions plus interest.

NORMAL ANNUITY — You retire at age 62 or later and have completed at least 5 years credited service in the retirement plan. The normal monthly benefit provides a basic calculation from which all other benefit amounts and options are figured:

Age	Years of Credited Service	Remarks
62	5	Benefit not reduced

EARLY ANNUITY **— You retire before reaching the normal retirement age of 62 and you have or exceed, one of the following combinations of age and service listed below:

Age	Years of Credited Service	Remarks
50	20	Reduced benefit
52	5	Reduced benefit
60	20	Benefit not reduced
55	30	Benefit not reduced

****Additionally, employees electing this benefit will receive a supplemental early retirement benefit (SERB) in addition to the early monthly benefit until his/her 62nd birthday.** (See the section entitled **Supplemental Early Retirement Benefit [SERB]**)

VERA/VSIP

VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA) and DISCONTINUED SERVICE RETIREMENT (DSR)

Effective 1 January 97, a VERA and DSR was added to the Retirement Plan. The Army NAF Retirement Plan has a VERA/DSR policy when installations are undergoing a 5% or more reduction. All requests for VERA/DSR must obtain prior approval from the Assistant of the Army (Manpower and Reserve Affairs) ASA M&RA. Eligibility requirements are 25 years of credited service and any age, or age 50 with 20 years of credited service. Participants who are approved for VERA/DSR and meet eligibility requirements, will have their benefit reduced by 2% per year from age 55. Regular early retirement reductions are 4% per year from age 62. A VERA projection is available on the Retirement Plan web site at www.NAFBenefits.com The file is a Microsoft

Excel Version 6.0 Worksheet. If you need a different version of Excel, email the Benefits Office.

SUPPLEMENTAL EARLY RETIREMENT BENEFIT

If you retire before age 62 and receive an early annuity, you will receive (**UNTIL YOU REACH AGE 62 AND BECOME ELIGIBLE FOR SOCIAL SECURITY BENEFITS**) a supplemental early retirement benefit (SERB). The SERB recognizes that Social Security benefits, which are an integral part of NAF retirement, are not payable until a participant reaches age 62. If you retire at or after age 62, you will not receive a SERB since Social Security benefits are payable immediately. (See also the section entitled **SERB Formula**.)

****Disability annuitants are not eligible to receive SERB.**

DEFERRED ANNUITY — You separate employment before age 62 and ask to wait for your monthly benefit, until the first day of the month after reaching age 52 or later. You must have at least 5 years credited service in the retirement plan to be eligible for this benefit:

Age	Years of Credited Service	Remarks
52	5	Reduced benefit
62	5	Benefit not reduced

IMPORTANT NOTE ABOUT DEFERRED MONTHLY BENEFITS—*Retiree medical and life insurance benefits are not available to retirees electing a deferred monthly benefit. For questions regarding your medical and life benefits eligibility, contact your civilian personnel unit.*



DISABILITY ANNUITY — You become **totally and permanently disabled and unable to perform work**, provide medical information from your doctor, and your application for disability is approved by the medical authority selected by the Benefits Program Manager, you may be approved for a disability monthly benefit. To apply for this benefit, your total disability must

have happened while you were employed and you must apply for this benefit no later than 30 days after separation. ***Applications received after 30 days will be denied.***

Age	Years of Credited Service	Remarks
52 <u>or</u>	5	See the following:

You must be 52 **or** you may be any age if you have 5 years of credited service. (If you have less than 5 years of credited service, you must have contributed to the retirement plan for at least 12 months immediately preceding your request for disability retirement to be eligible for a disability benefit and you must be at least age 52.) **Also**, the disability cannot be caused by your misconduct (for example, alcohol or drug abuse) during the 5 years before the disability started. Permanent disability means you cannot perform useful and efficient work in your position or another position similar to your position, as determined by the medical authority approved by the Benefits Program Manager.

If you are getting workers' compensation benefits, your disability benefit when combined with your workers' compensation benefit, cannot exceed 90% of your HI-3 salary used in figuring your monthly benefit.

OPTIONAL BENEFITS

When you receive your final retirement benefit option papers from the Employee Benefits Office, you can choose a benefit with different payout rules. If you are unmarried, you may choose any payout option. If you are married, you must choose either the normal survivor option or the 100% continuation option, unless your spouse waives his/her rights to that benefit. These are your choices:

5 Year Certain

- A reduced monthly benefit which you receive for life, but at least for 60 months. If you die before you receive 60 monthly payments, the remaining benefits are paid to your beneficiary.

10 Year Certain

- A reduced monthly benefit which you receive for life, but at least for 120 months. If you die before you receive 120 monthly payments,

the remaining benefits are paid to your beneficiary.

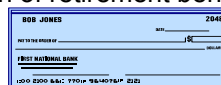
100% Continuation to Spouse

- A reduced monthly benefit which you receive for life. When you die, your beneficiary receives 100% of your reduced monthly benefit.

SMALL BENEFITS—ACTUARIAL LUMP SUM

If your monthly benefit is less than \$100 a month, the Benefits Program Manager may elect to make these payments quarterly, semi-annually, or annually, or may elect to pay a lump sum which is the actuarial equivalent of the monthly benefit. If you get a lump sum, that payment completes the obligation of the retirement plan.

To find out what your estimated monthly benefit will be, please see your civilian personnel officer for a projection of retirement benefits.



REFUNDS

— You may get a refund of the money you put in to the retirement plan plus interest, only if one of the following happens:

- When you terminate employment. If you get a refund and are later rehired, you may buy back your prior service by repaying the refund plus 3% interest compounded annually. This must be done within 2 years of your re-hire date. If you are re-hired, you may redeposit the refund within 2 years. If you choose not to redeposit the refund, we will still give you creditable service for the period of time related to the refund. Your benefit will be actuarially reduced to make up for the missing contributions and interest.
- When you cannot participate because of a change in employment status.

*****If you are vested (participated for 5 or more years), a refund of your money and interest is probably not the best option for you. Generally, if you elect a monthly benefit, your contributions and interest are returned to you within one to three years of monthly benefit payments. You will receive all NAF money for the rest of***

your life! Also, after your death, your spouse will get NAF money for the rest of his or her life! If you get a refund, you lose these benefits. Think about it!

Use DA Form 3715-R to get a refund. You may obtain this form from your civilian personnel unit. This form must be signed by the employee and civilian personnel officer and attach DA Form 3434 or 3473 coded 04 for separation of employment.

MONEY ON DEPOSIT — You should ask for this, only if you expect to be rehired in an Army NAF position within 5 years.

If you have less than 5 years credited service, terminate your employment, do not request a refund, and are not rehired within 5 years, your contributions plus interest will be refunded after 5 years.

SPOUSAL WAIVER FORM

If you are married and have more than 5 years credited service, your spouse must agree in writing for you to get a refund of your money. This is because after you have 5 years credited service, you are vested (that is, at age 62 you have the right to a monthly benefit) and your spouse is entitled to a part of that monthly benefit or to a survivor benefit, according to the law.

DEATH BENEFITS

Before retirement

- If you die before you retire and **have less than 5 years credited service**, your money plus interest will be paid to your spouse, beneficiary, or estate.
- If you die before you retire and **have more than 5 years credited service**, a survivor benefit will be paid to your spouse or your money plus interest will be paid to your designated beneficiary or to your estate, if you do not have a surviving spouse.

After retirement

- If you die after retirement but before you receive a monthly benefit, a survivor benefit will be paid to your spouse or your money plus interest will be paid to your designated

beneficiary or to your estate, if you do not have a surviving spouse.

- If you die after you retire and you have started getting your monthly benefit, either survivor or death benefits will be paid as you chose on your retirement option papers.

After disability retirement

- If you retire on a disability and then die, survivor benefits will be paid as if you had died before retirement. (See **After Retirement** above)

SURVIVOR BENEFIT

Your surviving spouse will get a monthly benefit if you die before your spouse:

- while you are actively employed and you have at least 5 years of credited service, or
- while you are receiving a monthly benefit. (Unless your spouse waived rights when you retired)

(See also the section entitled **Death Benefits** above.)

RETIREMENT BENEFITS



ELIGIBILITY

To be eligible to receive a monthly benefit from the retirement plan, you must have at least 5 years of credited service.

CREDITED SERVICE

Credited service includes periods when you worked in a regular NAF civilian position **and** contributed to the retirement plan **and** other periods of time which may be credited as service. (See section entitled **Portability of Benefits**)

PORTABILITY OF BENEFITS

NAF TO NAF

Between DoD NAFIs of different branches of the Armed Forces (AAFES, Marines, Air Force, Bupers, Navy, Navy Exchange, or Coast Guard)

If you are participating in the Army NAF retirement plan and you terminate employment (for reasons other than retirement) and you are employed by a different DoD NAFI within 90 calendar days, you may carry forward your credited service from the Army NAF retirement plan. This does not apply to transfers which occurred between August 1975 and April 1983, except for transfers of function or reduction in force. (Exception: If the other DoD NAFI does not cover part time employees, then credited service for Army NAF is not allowed).

Upon retirement from the other DoD NAFI, you will receive two monthly benefit checks, one from Army and one from the other DoD NAFI. (Exception: If you transfer to another DoD NAFI before becoming vested in the Army NAF retirement plan, you will only receive a refund of your money plus interest, however your Army NAF credited service will be counted in figuring your retirement benefit from the other DoD NAFI retirement plan.)

If you are vested in the Army NAF retirement plan at the time of transfer, and you want portability of benefits, you may not choose to receive your Army NAF monthly benefit, until you retire from the other DoD NAFI. If you are vested at the time of transfer and you have reached the minimum retirement age for an Army NAF monthly benefit and you choose an Army NAF monthly benefit, portability of benefits will not apply for you. You will be treated as a new hire at the other DoD NAFI as if you never had any prior Army NAF credited service.

The same procedure applies in reverse, if you transfer from another DoD NAFI to Army NAF.

Your civilian personnel office should contact the Employee Benefits Office when you transfer employment within 90 calendar days, to another DoD NAFI so your benefit can be figured at the time of transfer. The prescribing directive is [DoD 1401.1M, Personnel Policy Manual for NAFIs, Edition December 1988](#). This manual is available

on the web for download at:

<http://www.cpms.osd.mil/nafpo/nafhome.htm> or you may access the link from www.NAFbenefits.com and select the link DOD NAF Personnel Policy.

NAF to APF

Between a Nonappropriated Fund (NAF) Retirement Plan and the Federal Employee Retirement System (FERS) or Civil Service Retirement System (CSRS) for Appropriated Fund employees (APF)
Please refer to the *DoD Portability of Benefits for Moves Between Civil Service and Nonappropriated Fund Retirement Systems Reference Guide at this URL:*
<http://www.cpms.osd.mil/nafpo/documents/sumPL-NAF.pdf>

Public Law 101-508 and P.L. 104-106 allows vested Army NAF employees to choose to remain in the Army NAF retirement plan, if your regular NAF job is changed to a regular APF job, within 3 calendar days. This is a onetime, lifetime election.

Public Law 101-508 also allows vested Army APF employees to choose to remain in FERS or CSRS, if your regular APF job is changed to a regular NAF job, within 3 calendar days. Public Law 104-106 replaced Public Law 101-508 and allows up to a 1 year break in service and up to 1 year to select which retirement system, as long as the election is made with 31 days of the APF appointment. Anyone who exercised their portability rights under P.L. 101-508, cannot also exercise them under P.L. 104-106. Public Law 107-107 passed 28 December 2001, removes the vesting requirements required of P.L. 101-508 and 104-106.

The effective date of P.L. 101-508 was 1 January 1987, it was replaced by P.L. 104-106 in 1996 and P.L. 107-107 on 28 December 2001.

You must be given an opportunity to make this lifetime election. You are responsible for any prior contributions due the Army NAF retirement plan or FERS or CSRS, whichever you elect. You must complete RI-38-134 April 2002 at your civilian personnel office. If you choose to stay in the Army NAF retirement plan, you may never be in FERS or CSRS and vice versa. This election follows you for the rest of your career, regardless of future retirements.

If you choose to stay in the Army NAF retirement plan, you can participate in the APF medical and life extension plans at retirement, provided the minimum participation requirements have been met. Army NAF medical and life plan participation time can be used to meet the APF required medical and life plan participation time, at retirement. You cannot participate in the Army NAF medical and life extension plans at retirement.

HOW AND WHEN TO APPLY FOR A MONTHLY BENEFIT



Your civilian personnel office will help you apply for a monthly benefit and give you DA Form 3715-R which must be completed to request the monthly benefit. You should apply 3 months before you plan to retire or as soon as possible.

START OF ANNUITY PAYMENTS

You will get your first monthly benefit check on the first of the month following the month your CPO separates you from the rolls. For example, if you separate during March, your first monthly benefit check will be for 1 April. (**To maximize your benefit, most employees elect to retire on or before the last day of the month**). The first few checks will be for an estimated monthly benefit and may very well be smaller than your final monthly benefit. After you return the option papers you receive from the Employee Benefits Office, your final monthly benefit will be figured. The first check you receive after your final monthly benefit is figured, will include the difference due you between the estimated monthly benefit and your final monthly benefit.

MAXIMUM BENEFITS

The maximum benefits payable under the retirement plan are:

- **Normal, Early, or Deferred Retirement:** The Normal or Early

Retirement benefit or 80% of high 3 average salary, whichever is less.

- **Disability benefits:** The Disability Retirement benefit cannot exceed 90% of high 3 average earnings, when added to Workers' Compensation.
- **Survivor benefits:** 55% of your benefit unless the 100% continuation option was elected by the employee at retirement.

Retirement Projection Requests

If you would like a projection of your retirement benefits, you may contact your civilian personnel office. Each Army NAF Personnel Office has been supplied with a diskette to automatically figure retirement projections when you enter the HI-3 average annual salary and years and months of credited service.

The Normal Annuity Formula

These calculations can be done automatically by using the spreadsheet on the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. Go to the retirement section of the web site and download the MS Excel file or if you want to compute your estimate using the plan formula with a calculator, it is listed below:

A. Multiply the following:

- Hi-3 years average annual salary;
- times years and months of creditable service up to 15;
- times .012

Plus

B. Multiply the following:

- Hi-3 years average annual salary;
- times years and months of creditable service over 15;
- times .016

C. Add A and B above and divide by 12

This is your estimated monthly benefit. There is one more step using the **Covered Compensation Table**. This table is done annually by the Internal Revenue Service (IRS) and is based on increases in the Social Security Wage Base, year of birth and year of retirement.

Your civilian personnel office will have a current issue of this table on the retirement diskette for more complete processing of your projection.

The 2002 Covered Compensation Table is on the next page. Look up your year of birth on the table. If your HI-3 average annual salary is greater than the Social Security Covered Compensation amount, subtract the Social Security Covered Compensation amount from your HI-3 average annual salary. If your HI-3 average annual salary is less than the Social Security Covered Compensation amount, disregard this step.

D.

- Hi-3 years average annual salary minus social security covered compensation amount;
- times .003
- times years of credited service up to 30 years
- divide by 12
- add this amount to the amount obtained in **section C** on previous page. This is your total estimated monthly benefit due at age 62.

Early Annuity Formula

These calculations can be done automatically by using the spreadsheet on the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. Go to the retirement section of the web site and download the MS Excel file or if you want to compute your estimate using the plan formula with a calculator, it is listed below:

- Follow all steps in calculating the Normal Annuity Projection.
- Reduce the monthly benefit figured in the normal annuity projection by 4% for each year under age 62 that you retire. For example: if you are age 56 with 10 years of credited service, you will reduce the normal benefit by 6 years times 4%, equals a 24% reduction in the benefit. If the monthly normal annuity benefit is \$1000 per month, this early retirement benefit will be \$760 per month.

SERB Formula

The **SERB** is calculated as follows:

- A. Multiply \$192 times credited service up to 25 years; divide by 12
- B. Multiply .005 times HI-3 Salary times credited service up to 25 years; divide by 12.
- Enter the lesser of A or B. This is the monthly **SERB** amount due in addition to your benefit calculated under the Early Retirement Formula.

Disability Annuity Formula

These calculations can be done automatically by using the spreadsheet on the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. Go to the retirement section of the web site and download the MS Excel file or if you want to compute your estimate using the plan formula with a calculator, it is listed below:

Follow procedures outlined for normal annuity projection, except **omit the Covered Compensation Table step. Do Not add the Supplemental Early Retirement Benefit and Do Not reduce the benefit for age less than 62.**

Survivor Annuity Formula

(for employees who die before retirement)

Follow procedures for normal annuity for the deceased employee based on the employee's age and credited service at death. Multiply the answer by 55%. This is the survivor benefit due. If you die while actively employed and you were eligible to receive an early or normal retirement benefit, then your spouse will be paid the 100% continuation option benefit for the rest of his or her life.

Also, if the deceased employee would have been entitled to **SERB**, the survivor is entitled to 55% of the **SERB** until the deceased employees' 62nd birthdate.

**2002 Social Security Covered
Compensation Table**

This table changes annually when the IRS publishes it. We will update this table as we receive the IRS updates.

Year of Birth Wage Base

1912	6000
1913	6000
1914	6000
1915	6000
1916	9000
1917	9000
1918	9000
1919	12000
1920	12000
1921	12000
1922	15000
1923	15000
1924	18000
1925	18000
1926	21000
1927	21000
1928	24000
1929	24000
1930	27000
1931	27000
1932	30000
1933	30000
1934	33000
1935	36000
1936	36000
1937	39000
1938	45000
1939	45000
1940	48000
1941	51000
1942	54000
1943	54000
1944	57000
1945	60000
1946	60000
1947	63000
1948	63000
1949	66000

1950	66000
1951	66000
1952	69000
1953	69000
1954	72000
1955	72000
1956	75000
1957	75000
1958	75000
1959	75000
1960	78000
1961	78000
1962	78000
1963	78000
1964	80400
1965	80400
1966	80400
1967	80400
1968	80400
1969	80400
1970	80400
1971	80400
1972	80400
1973	80400
1974	80400
1975	80400
1976	80400
1977	80400
1978	80400
1979	80400
1980	80400